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BEFORE THE
FEDERAL COMMUNICATION COMMISSION
WASHINGTON, D.C. 20554
RESPONSE OF
NATIONAL CONSUMERS LEAGUE
TO THE
FOURTH FURTHER NOTICE OF PROPOSED RULEMAKING
AND
THIRD NOTICE OF INQUIRY
(MM Docket No: 87-268)
(ADOPTED JULY 28, 1995)
DATED: NOVEMBER 15, 1995

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Background

The National Consumers League (NCL) is America's pioneer consumer advocacy organization. Since 1899, it has represented consumers and workers on a variety of issues including health care, fair labor standards, food and drug safety, consumer fraud, financial services, privacy, telecommunications, and the environment. An action-oriented organization that works on behalf of consumers for quality public and government services, NCL is a private nonprofit membership organization.

Since its inception, NCL has used a three-pronged agenda of research, education, and advocacy to empower consumers to affect public policy. In order to meet its goals, NCL participates in more than 46 coalitions, advisory committees and boards to provide the consumer perspective on issues ranging from clean air and water to health care reform.

The National Consumers League is a nonprofit membership organization governed by a Board of Directors with diverse experience in consumer protection and advocacy, law, business, public relations, and labor. Members include concerned citizens from every sector of society, from senior citizens to students, farmers to construction workers, rural residents to city dwellers, as well as corporations, trade associations, public interest organizations, small businesses, and labor unions. The organization is headquartered in downtown Washington, D.C., has affiliated offices in several states, and an extensive consumer action network nationwide.

Our position paper will concentrate on several major issues surrounding HDTV and ATV, all of which bear upon the public interest.

Consumers Are The Central Stakeholders In ATV/HDTV.

The National Consumers League agrees with the FCC's assessment that the consumer is the central stakeholder in the debate over digital television and HDTV. The primary beneficiary of digital television and HDTV should not be TV station owners or set manufacturers; it should be the consumer. It will be the consumer after all who drives and shapes this market.

Television performs an informational service which has become vital to the functioning of our democracy. It also represents an entertainment medium which millions of disabled Americans and elderly Americans on fixed incomes rely upon to add meaning to their daily lives. Television has become an essential part of American life. American consumers now own two-hundred (200) million television sets and purchase an additional twenty-five (25) million sets every year.

The advent of digital television has very profound implications for consumers, not the least of which is that all existing television sets may need to be replaced by the end of the transition period. Beyond that, consumers have an enormous stake in the quality of digital TV as well as the variety of video services attendant to its commercialization. The view of the National Consumers League is that consumers should enjoy the best digital video services and programming that is technologically available at a cost which reflects a competitive marketplace. Retail prices should decline as manufactured volume and sales increase. To paraphrase former FCC Chairman Sykes concerning HDTV: "Why not the best?"

Demand For ATV/HDTV

It has been alleged by some in the telecommunications and broadcast industries as well as observers that there is no current consumer demand for HDTV. That isn't surprising, given the fact that no HDTV receivers are commercially available. Yet, were not similar arguments advanced prior to the introduction of color television and the compact disk?

A discussion of Digital Satellite Service (DSS) and its introduction to the market in 1994 may be particularly valuable in any assessment of potential consumer demand for ATV/HDTV. DSS is the most popular and widely sold consumer electronics product ever to be introduced to the market. Unit sales have exceeded one (1) million within one year of the product launch.

The most conspicuous features of DSS are of course enhanced picture quality, sound and program choice. Market surveys indicate that consumers are willing to pay a respectable premium for DSS because of such high quality characteristics; prices that are dropping as a result of increased product demand and economies of scale in manufacturing.¹

In order to get a glimpse of ATV and HDTV, we invited members of the Grand Alliance to provide demonstrations of these technologies to our 1995 National Conference on technology and telecommunications held in Denver, Colorado. This Conference was one in a series of annual events conducted by NCL as part of our Centennial Countdown (1999). Themes of Centennial Countdown Conferences concentrate on issues which are and will be of major significance to consumers.

More than 250 delegates attended our conference, including leaders of national, state and local consumer organizations. There was unanimous agreement among all delegates after viewing the ATV/HDTV demonstrations that:

- ATV/HDTV would represent a significant improvement for consumers in terms of picture and sound quality.
- ATV/HDTV would be an integral part of the national information infrastructure.

¹The basic technology of DSS was adopted from technology associated with HDTV.

- ATV/HDTV's ancillary features could significantly improve consumer access to information.

- The "price curve" for ATV/HDTV would probably follow that of other successful consumer electronics products, initially priced at significant premiums which will diminish over time. Our view is that once HDTV/ATV receivers are introduced into the marketplace, highly educated consumers with the ability to pay will purchase at respectable premiums and that prices will decline in tandem with the transitional period.

Our views on demand and price are consistent with a recent Northwestern University study which determined that:

1. As consumers view ATV/HDTV, they immediately notice and like the substantial difference in picture quality and sound for NTSC.

2. Consumers profess a desire to own an HDTV/ATV receiver.

3. Consumers state a willingness to pay a premium over large screen sets currently obtainable.

Delay Or Inaction By The Commission Could Jeopardize The U.S. Lead In Digital Video Technology

While the NCL is a primary spokesperson for the American consumer, we also unabashedly confess to be patriotic. We are proud of the fact that the digital video technologies of the Grand Alliance were invented exclusively by U.S. citizens and financed in whole by private funding. If the FCC were to delay in setting a transmission standard or decide not to set a standard, it could jeopardize our nation's fragile lead in digital video

technology and subsequently invite foreign competitors to recapture the lead in consumer electronics. The U.S. job base of domestic consumer electronics companies such as Thomson and Philips could suffer. We do not want to see that happen.

Setting a transmission standard in an expeditious fashion will send a clear signal to investors, consumers, manufacturers and workers that America is carefully but deliberately entering a new, exciting commercial era of digital video technology. The absence of such a signal could render an entire industry stillborn.

The Impact On The Consumer Of The Transition From Analog To Digital Television

The Commission has correctly observed that a balance needs to be struck between the ninety-two (92) million households who own television sets and the speed of conversion to digital technologies (Fourth Further Notice of Proposed Rulemaking and Third Notice of Inquiry, released August 9, 1995, page 5, paragraph 10.)

We endorse the idea of the FCC introducing "objective benchmarks" in the transition process "to create incentives for rapid adoption of ATV by consumers, broadcasters, manufacturers and others." (Ibid) In this way, consumers would receive the maximum benefits of the "price curve" in the conversion process as manufacturers would tend to produce at full factory capacity in anticipation of high consumer demand. Any confusion surrounding the transition process could mean that manufacturers produce less receivers than are in demand, resulting in artificially high prices for consumers. We would like to see production "in sync" with demand, which is indeed achievable if the Commission establishes very clear and unambiguous benchmarks for the transition period, including a date specific when NTSC signals must be repatriated to the government.

Transition To ATV/HDTV Means That Consumers Will Fully Receive Benefits Of The National Information Infrastructure.

The NCL believes that the potential "value-added" of HDTV/ATV to the nation's information infrastructure is unlimited. That is why we believe that early commercialization of digital video technology will lead to exciting new developments in the field of interactive video, voice and data communications. The commercialization of ATV/HDTV will lead directly to promising services in telemedicine and education and other informational applications which will enhance our society.

Auctions For the Second Channel Could Delay The Introduction of ATV/HDTV

Any auction proposed by the FCC in conjunction with compromise language to the Budget Reconciliation Act would not serve the public interest. Special interests with deep pockets and no previous broadcast experience could dominate such auctions and never utilize the available spectrum for ATV/HDTV. Auctions could accordingly undermine if not destroy free over the air television. The FCC should therefore forego the auction option for the second channel during the transition period.

Broadcasters Should Provide A Minimum of HDTV Programming

One easy and sensible way of stimulating market demand for receivers is for the FCC, as part of the transmission standard, to establish minimum requirements for broadcasters to transmit programming in high definition. This, of course, would not preclude any broadcasters at other times from utilizing second channel spectrum in any flexible method it deems appropriate.

Conclusion

The National Consumers League applauds the Commission and its Chairman for the foresight they have demonstrated regarding the introduction of digital video technology to the

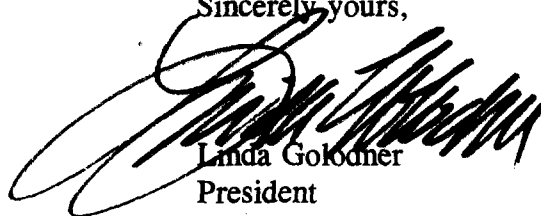
American consumer. We agree with the FCC that the commercial applications of this exciting technology must serve the public interest - the American consumer. Furthermore, we support any initiative, public or private, which results in ATV/HDTV receivers being manufactured in the United States utilizing the superior skill of American workers. We salute the pledge by Thomson Consumer Electronics and North American Philips to manufacture ATV/HDTV receivers and components in the U.S.

The NCL urges the Commission to adopt a standard in expeditious fashion which sends a clear signal to all stakeholders - consumers, investors, manufacturers, workers, broadcasters. This signal should be as follows:

America is on the threshold of creating an exciting new industry providing an array of digital video applications at a fair price which will secure world leadership and a bright future for American workers and consumers.

We thank you for your consideration of our views.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Linda Golodner", is written over the typed name and title. The signature is stylized with large, sweeping loops.

Linda Golodner
President